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AND EMERGENCY MANAGEMENT

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-3311**

October 23, 2019

The Honorable Alex M. Azar II  
Secretary  
U.S. Department of Health & Human Services  
200 Independence Avenue, S.W.  
Washington, D.C. 20201

Dear Secretary Azar:

I am writing to commend you and your agency's efforts to increase access to lower-cost biosimilar medicines and lower the cost of prescription drugs. As part of these continued efforts, I urge you to consider directing the Centers for Medicare & Medicaid Services to incentivize the use of biosimilars in the Medicare program.

I applaud the Trump administration for recognizing that biosimilars hold enormous promise to introduce competition and unlock significant savings to the Medicare program while lowering patients' out-of-pocket costs. Specifically, President Donald J. Trump's *Blueprint to Lower Drug Prices* identified "*biosimilar development, approval, education, and access as a top priority.*"<sup>i</sup> More recently, the fiscal year 2020 Budget indicated that the Trump administration aims to build on America's successful generic market with a robust biosimilars agenda by "harnessing payment and cost-sharing incentives to increase biosimilar adoption."<sup>iii</sup> I could not agree more.

The experience of generic drugs illustrates the potential that incentivizing biosimilars can have in unlocking competition in Medicare. Generics account for 90% of all drugs dispensed in the U.S. but only 23% of drug spending.<sup>iii</sup> This success is in large part due to payors, including Medicare, historically favoring the utilization of generics upon launch to drive uptake.

The same commitment is critical to foster a robust biosimilar market and save the health care system and patients billions of dollars. Even though biosimilars are currently launching at an average of nearly 30% less than reference biologics,<sup>iv</sup> they only represent 2.3% of the biologics market in the United States.<sup>v</sup> The limited uptake of biosimilars can be attributed, in part, to skewed financial incentivizes that ultimately discourage physicians from switching to the lower-cost biosimilar. If the biosimilar market is allowed to mature and prosper, with the help of appropriate incentives, experts estimate that FDA-approved biosimilars could save between \$44 billion and \$250 billion over the next 10 years.<sup>vi</sup>

One policy option would be to incentivize biosimilars through a voluntary shared savings model in which Medicare would share the savings from biosimilars with physicians and patients.<sup>vii</sup> A Biosimilar Shared Savings Program would incentivize the use of lower-cost biosimilars by

providers. Such a model holds great promise and could save billions of dollars over the next decade.

Thank you again for your leadership on lowering the cost of prescription drugs. Incentivizing the use of lower-cost biosimilars will help us reach that goal and unlock significant savings to patients and the Medicare program.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Mark R. Meadows', is written over a horizontal line.

Mark R. Meadows  
Member of Congress

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<sup>i</sup> President Donald J. Trump, “President Donald J. Trump’s Blueprint To Lower Drug Prices,” (May 11, 2018), <https://www.whitehouse.gov/briefings-statements/president-donald-j-trumps-blueprint-lower-drug-prices/>.

<sup>ii</sup> President Donald J. Trump, “A Budget For A Better America: Promises Kept. Taxpayers First.,” (March 11, 2019), <https://www.whitehouse.gov/wp-content/uploads/2019/03/budget-fy2020.pdf>.

<sup>iii</sup> Congressional Research Service, Agata Dabrowska, “FDA and Drug Prices: Facilitating Access to Generic Drugs,” (January 17, 2019), <https://fas.org/sgp/crs/misc/IF11075.pdf>.

<sup>iv</sup> Mulcahy, Andrew W., Jakub P. Hlavka, and Spencer R. Case, Biosimilar Cost Savings in the United States: Initial Experience and Future Potential. Santa Monica, CA: RAND Corporation, 2017. <https://www.rand.org/pubs/perspectives/PE264.html>.

<sup>v</sup> Pacific Research Institute (PRI) Issue Brief, “Incenting Competition to Reduce Drug Spending: The Biosimilar Opportunity,” July 2019, <https://www.pacificresearch.org/new-issue-brief-increased-use-of-biosimilars-could-bring-billions-in-savings-for-patients-providers-taxpayers/>

<sup>vi</sup> RAND Corporation 2017.

<sup>vii</sup> Centers for Medicare & Medicaid Services, Voluntary Shared Savings Programs, <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram/about.html>.